



Doing Business In Colombia: A Country Commercial Guide for U.S. Companies

Doing Business in Colombia

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2005. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Chapter 1: Doing Business In COLOMBIA

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

[Return to table of contents](#)

Market Overview

[Return to top](#)

Colombia ranks solidly with the group of progressive, industrializing countries worldwide that have well-diversified agriculture, resources, and productive capacities. It currently is the fourth largest U.S. market in the region, after Mexico, Brazil and Venezuela. Since the election of President Uribe in May 2002, Colombia has become one of the most optimistic, stable and recovering economies in the region. Good government policies, steady growth, low inflation and plenty of opportunities make it more than worthwhile for investors to take a serious look at Colombia.

- Economic growth for 2004 fell to 3.7 percent from a target of 4 percent in 2004. Economists blamed this contraction on transitory events, and highlighted a 22-day trucker strike as causing supply shocks to the market. Colombia's Ministry of Finance projects an economic growth rate of 4 percent for 2005, based on the projected performance of the construction, petroleum and mining sectors, as well as a continued increase in exports. GDP per capita has increased to over USD 2,000, aided by the appreciation of the Colombian peso in the last year.
- The peso rose 15 percent against the U.S. dollar in 2004 due to an increase in investor confidence in Colombia, higher Colombian exports and an increase in remittances from Colombian workers abroad. For 2004, the exchange rate closed at COP 2,352 per \$1.
- Foreign direct investment is expected to reach USD 2.2 billion for 2004, an annual increase of 43 percent, and analysts expect FDI to at least maintain this

level through 2006. Major contributors to the increase in 2004 are the mining and oil and gas sectors.

- The United States, the Virgin Islands, and Spain rank as Colombia's top investors. Over the last few years, they represented 43 percent of total investments in Colombia
- Consumer price inflation fell from 6.48 percent in 2003 to 5.5 percent in 2004, the lowest in 40 years.
- Urban unemployment has decreased from around 17 percent in January, 2004 to 12 percent at the end of 2004. Union representation in the Colombian workforce is less than 8 percent.
- Although security concerns continue to stem from the 40-year-old guerrilla war, the Uribe Administration's policies have dramatically reduced terrorist attacks, kidnappings and crime.
- In May 2004, the United States began free trade negotiations with Colombia, Peru and Ecuador (Bolivia is participating only as an observer). After seven rounds, negotiations continue to move forward with the hope of signing a free trade agreement in mid-2005.
- The United States continues to be Colombia's major trading partner, receiving 44% of all Colombian exports. Exports to the U.S. have increased over USD 2.0 billion since the inception of ATPDEA benefits. Colombia is currently the 31st largest trading partner for U.S. goods. The EU, Japan, and the Andean Pact countries also are important trading partners.

Market Challenges

[Return to top](#)

- Capital Controls: in December 2004, the Colombian Council on Economic and Social Policy (CONPES) approved a modification to the foreign investment regime to include an obligation for foreign portfolio investments to maintain investments in Colombian for at least one year in order to avoid speculative capital flows. The GOC will fine companies who seek to expatriate their investments in less than 12 months.
- The provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm.
- Economic need tests are required when foreign providers of professional services operate temporarily; and residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services.
- A commercial presence is required to provide information processing services.
- Telecommunications: significant barriers to entry include high license fees (\$150 million for a long distance license fee), cross subsidies, commercial presence in Colombia and economic needs tests.
- For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals.
- International banking institutions are required to maintain commercial presence in Colombia through subsidiary offices.
- Colombia has been on the Special 301 "Watch List" every year since 1991.
- Customs duties have been consolidated into four tariff levels: zero to five percent on capital goods, industrial goods and raw materials not produced in Colombia, ten percent on manufactured goods with some exemptions, and fifteen to twenty

percent on consumer and “sensitive” goods. A group of agricultural products is protected by a price band mechanism that offers variable duties as high as 100 percent.

Market Opportunities

[Return to top](#)

- Review U.S. Commercial Service quarterly reports of major projects in Colombia.
- Colombia's upcoming infrastructure projects are extensive and will require a local agent or legal representative for all government contracts. Areas of interest are project financing, public works subcontracting, logistics, equipment procurement, construction of public roads, ports, and airports, rehabilitation of river navigation, water treatment, water supply, electric power generation, oil and gas exploration, air navigational aids, railways, machinery leasing, transportation equipment and parts, security and defense items and services, and mass transit systems.
- U.S. export opportunities include: telecommunications equipment and services, industrial chemicals, air cargo services, financial services, automotive parts and accessories, computer hardware and software services, oil and gas machinery and services, petrochemicals, plastics materials and resins, electrical power systems, safety and security technologies and equipment, food and beverage processing and packaging equipment, medical equipment, construction and mining equipment and pollution control equipment.

Market Entry Strategy

[Return to top](#)

- Secure an agent, representative, or distributor in Colombia, which requires a contract that meets the provisions of the Colombian Commercial Code
- Focus on formality, personal relationships and trust when negotiating agreements and contracts
- Direct marketing and personal visits supported by such factors as technological advances in internet communications, printing and distribution of materials to prospective customers are already popular in Colombia
- Communicate with the U.S. Commercial Service of the U.S. Embassy in Bogotá for specific concerns.
- Keep good after-sales service arrangements, not only in the original buying decision, but also in maintaining the sales relationship. Warranties on imports are important factors that support after sales service in Colombia
- Products and/or service quality, financing, and price supported by extensive advertising campaigns play an important role in Colombians' buying decision

Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

(Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org

ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Association Of Flower Exporters: www.colombianflowers.com
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bivac De Colombia S.A.: www.bureauveritas.com.co
Bogotá Chamber of Commerce: www.ccb.org.co
Cambio newspaper: www.cambio.com.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Agricultural Institute-Ica: www.ica.gov.co
Colombian-American Chamber Of Commerce: www.amchamcolombia.com.co
Colombian Association Of Systems Engineers: www.acis.org.co
Colombian Coffee Growers Federation: www.cafedecolombia.com
Colombian Construction Chamber: www.camacol.org.co
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Engineers Society: www.sci.org.co
Colombian Export Promotion Bureau: www.proexport.com.co
Colombian Government : www.gobiernoenlinea.gov.co
Colombian Grain Growers Federation: www.fenalce.org.co
Colombian Petroleum Association: www.acp.com
Colombian Tele-Informatic Chamber: www.ccit.org.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
Dinero newspaper: www.dinero.com
El Espectador newspaper: www.elespectador.com
El Tiempo newspaper: www.eltiempo.com.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Industry And Commerce Superintendency: www.sic.gov.co
Inter American Development Bank: www.iadb.org
Intertek Testing Services (Customs validation): www.intertek.com
La Nota Economica economic magazine: www.lanota.co
La Republica newspaper: www.larepublica.com.co
Medellin Chamber Of Commerce/Trade Point: www.camaramed.org.co
Ministry Of Agriculture And Rural Development: www.minagricultura.gov.co
Ministry Of Communications: www.mincomunicaciones.gov.co
Ministry Of The Environment, Housing And Territorial Development:
www.minambiente.gov.co
Ministry Of Mines And Energy: www.minminas.gov.co
Ministry Of Trade, Industry And Tourism: www.mincomex.gov.co
National Association Of Exporters: www.analdex.org
National Cattlemen's Federation: www.fedegan.org.co
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Plastic Industries Association: www.acoplasticos.org
Portafolio newspaper: www.portafolio.com.co
Proexport (Export & Foreign Investment Promotion Bureau): www.proexport.com.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co
Semana magazine: www.semana.com

Small Business Association-Acopi: www.acopi.org.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
Superintendent of Instruments/Stock: www.supervalores.gov.co
World Bank: www.worldbank.org

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at (800) USA-TRADE, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.